ESSAY

The cost of hubris

Due process, democracy and respect

Will Bibby

THE demise of Gunns in the spring of 2012 was as much a psychological shock to Tasmanians as it was economic. Alongside cricket stars Ricky Ponting and 'Boonie', Gunns had become the best-known Tasmanian. On 25 September 2012, Gunns went into voluntary administration after its creditors, who were owed more than $500 million, refused to bankroll the business any longer. Gunns had posted a $904 million loss for the 2011/2012 financial year and had been in a trading halt since March 2012 with a share price of just sixteen cents. The shareholders are now unlikely to see any of their investment returned. The announcement that Gunns would go into administration also resulted in more than six hundred job losses, about three hundred of which were in Tasmania. This effectively marked the end of one of Tasmania's most successful businesses.

Founded in Launceston in 1875 by brothers John and Thomas Gunn, the business quickly grew with interests in timber trading, sawmilling, building, brickmaking and hardware. According to Tom Gunn, the historian great-grandson of John Gunn, by the turn of the twentieth century Gunns 'was one of the first companies in Australia to become an integrated business'. At one point, Tom Gunn explains, you could walk into the company's office

in Launceston with title to a block of land and they could design and build you a house from the ground up to put on it.

Gunns dominated the building and timber industries of northern Tasmania and from the 1890s onwards built many of Launceston's impressive heritage buildings. Launceston's current mayor and anti-pulp mill politician, Albert van Zetten, agrees that Gunns has left an important mark on the city. 'They've employed a lot of people over those years, which has been a very significant part of our economy,' he says. Gunns remained in family hands until it went public in 1986, and John Gay took over as managing director. The Gunns family sold their remaining shares soon after, signalling the end of one chapter and the beginning of another in the company's history.

As a public company, Gunns was able to raise funds for an aggressive expansion, buying out other timber businesses including Boral Timber, North Forest Products, Auspine, and ITC Timber. With the purchase of North Forest Products for $335 million in 2001 Gunns became the largest exporter of woodchips in the southern hemisphere.

In 2004, in the midst of this expansion Gunns announced its controversial proposal to build Australia's biggest pulp mill at Bell Bay in the picturesque Tamar Valley.

The pulp mill turned into a game-changer for Gunns, but not the kind it wanted. Increasingly, Gunns and its 'pet' project came to represent all that was wrong with Tasmanian politics: deals with mates, secret dinners with a premier, flagrant indifference to the planning process. For Gunns, the normal rules of the game didn't seem to apply.

Across Bass Strait, opposition to the pulp mill also grew in the suburbs of mainland Australia, with businessman and environmentalist Geoffrey Cousins taking a leading public role in a national campaign against the mill that reached well beyond the traditional environmental movement. Tasmania's natural environment has become an iconic part of the state and the nation. The battle against Gunns' mill was reminiscent of the fight to save the Franklin River and the failed Wesley Vale pulp mill. It reactivated opposition and galvanised defenders of the 'green getaway' at the bottom of Australia, with international stature.

AT SOME POINT under John Gay's leadership, Gunns went astray. At the time of writing, Gay, the executive chairman of the company from 1986 to 2010, was facing insider-trading charges in the Supreme Court of Tasmania.

During this period many felt that Gunns stopped listening to the community in which it operated. To many, not just so-called 'greenies', the company did not seem to care – and a new opposition coalition emerged. As the most well-known face of the old-growth forestry industry, Gunns increasingly became the target of public campaigns by environmental activists. As a result the Gunns brand became increasingly toxic within Tasmania and beyond. Harvey Norman was boycotted for purchasing Gunns' products and Tamar Ridge wines (bought by Gunns in an apparent bid to 'clean up' its brand) became a tainted product as well. Outside Tasmania, the campaign against the pulp mill remained almost solely environmental in its focus.

In Tasmania, however, opposition to Gunns increasingly was about more than just the pulp mill, opposition to old-growth logging, or a 'greenie' anti-development sentiment. It was also about due process, democracy and respect. It was a reaction to a once proud and highly regarded Tasmanian business having turned its back on much of the community that had long supported its successes. By doing so, Gunns seemingly betrayed the trust of large parts of that community, in which it operated for more than a century.

Because Gunns was so embedded in Tasmania's history, society, economy and politics, it had responsibilities above and beyond those expected of an offshore company. This was more than corporate social and environmental responsibility. Gunns was not just any company operating in Tasmania; it was a corporate citizen, perhaps even Tasmania's pre-eminent corporate citizen.

Gunns has also been the beneficiary of more than $100 million dollars of public money over the past decade – subsidies, infrastructure provision, managed investment schemes (MIS), and cheap supply of timber and water. This arguably demanded additional levels of responsibility to the people – Tasmanian, and wider Australian taxpayers – providing this support.

THE FIRST CLEAR sign of hubris came in 1989, when the then chairman of Gunns, Edmund Rouse, tried to bribe a Labor MP, Jim Cox, with

a $110,000 payment. Rouse wanted Cox to cross the floor to keep Liberal premier Robin Gray's pro-Gunns government in power and stop Labor forming government with the support of the Greens (who held the balance of power).

The plot failed and the ramifications were dire. As well as going to gaol, the disgraced Rouse lost control of the century-old, family-owned media company ENT Ltd, which owned Launceston's daily newspaper, *The Examiner.* Robin Gray, who was found with a $10,000 cash donation from Rouse in freezer bags at his home, was described by a 1991 Royal Commission into the incident as having acted 'improperly, and grossly so', but was cleared of any legal wrongdoing. Gray became a non-executive director of Gunns after leaving parliament, a position he held until 2010.

Gunns again achieved notoriety in 2005 when it filed a writ in the Supreme Court of Victoria against a group of twenty environmentalists and organisations, seeking $6.9 million in damages for allegedly trespassing, damaging machinery and harming Gunns' reputation. The defendants, who became known as the 'Gunns 20', included many prominent figures in the environmental movement including then Leader of the Australian Greens Bob Brown, Alec Marr of the Wilderness Society and then Leader of the Tasmanian Greens Peg Putt. Gunns was widely criticised both nationally and internationally for using intimidation and the threat of litigation – 'McLibel-style' or 'SLAPP-suit' (Strategic Lawsuit Against Public Participation) tactics – to silence critics. Tasmanian author and long-time critic of Gunns, Richard Flanagan called the lawsuit 'an action that would, if successful, have redefined the practice of democracy as the crime of conspiracy'. All the cases were eventually either dropped or settled out of court; the last of the claims were finally abandoned in 2010.

This looked bad enough. The final straw on this front came for many Tasmanians, however, when Gunns ditched the independent assessment process of the Resource Planning and Development Commission (RPDC) in March 2007. Paul Lennon's Labor Government then pushed through legislation fast-tracking the approval process of the pulp mill. It appeared as if the assessment process had only been put in place to provide the social pretext for the pulp mill. Again, to many Tasmanians this was a breach of public trust. The outrage was palpable and widespread.

In its final two years under the new management of Greg L'Estrange,

Gunns, to its credit, visibly attempted to change direction. It exited native forest logging and, in an apparent acknowledgement of its longstanding relationship with Tasmania, sought to establish that it had a 'social licence' to operate in order to proceed with the Tamar Valley pulp mill. A social licence is an informal licence for a project granted by the community and represents what might be expected of a company or industry by the society in which it operates. It wasn't enough that Gunns had the support of the government; it needed the support, or at least acceptance, of the community as well. Early in 2012, after lobbying from environmentalists, Singapore-based 'white knight' investor Richard Chandler withdrew from investing in a 40 per cent share in Gunns, which may well have saved the company, citing the lack of a social licence as a key reason. This was the beginning of the end for Gunns and shortly afterwards trading in its shares was halted on the ASX.

Unfortunately for Gunns the damage had already been done. Gunns should not have had to prove that it had such a 'social licence'. As an established corporate citizen of Tasmania it had long held one – Gunns had employed thousands, built their homes, supported local economies and returned a handsome tax cheque to government. But when it stopped being accountable to enough of Tasmania's people, the social contract was corroded. The perception that this business had come to depend on backroom deals, political favours, bullying tactics, manipulation of the planning process and disproportionate access to public money was a key contributor.

Perhaps the demise of this once great Tasmanian company will prove to be a blessing in disguise. A huge symbolic weight has been lifted from Tasmanian politics. Tom Gunn summed it up: 'It's sad to see 137 years of the company just written off like that, [but] by the same token, with the controversy they've found themselves embroiled in over the past few years, there's a number of members of the family that will probably be quite happy to see that all come to an end.'

TASMANIAN GOVERNMENTS OF both main hues have arguably been too close to Gunns, and too close to the forestry industry. Fast-track approvals of projects, cheap access to forests, and public subsidies are the most obvious indicators of this. Judith Ajani, an Australian National University

economist and author of *The Forest Wars* (MUP, 2007), highlights how both state and federal governments have long propped up the industry, 'first [with] woodchipping then plantations'. In particular, plantation managed investment schemes enjoyed large benefits through tax-minimisation, making them highly dependent on government support.

Bruce Montgomery, the former Tasmanian correspondent for *The Australian*, has described Gunns during its heyday as 'a law unto itself.' He should know. In 2003, he was appointed by then-Labor premier Paul Lennon as communications manager for the Forests and Forest Industry Council. According to Montgomery, this council – which included representatives from the Tasmanian government, Forestry Tasmania, and industry – 'was ostensibly a body to discuss how to spend research money [relevant to forestry]…but it also became an advisory body to everybody, to the industry and to the government, on forestry policy.'

At the time, Gunns had significant influence over the forestry industry lobby group, the Forestry Industries Association of Tasmania (FIAT). Gunns provided about 80 per cent of FIAT's funding and John Gay, executive chairman of Gunns, was also the chairman of FIAT. As Bruce Montgomery put it, 'Gunns *was* FIAT…it was essentially a mouthpiece for Gunns.' Through the Forests and Forest Industry Council, FIAT (and thus Gunns) was in turn able to wield significant influence on Tasmanian government forestry policy.

Aligning the hopes of a state with the fortunes of one industry, one company and one project meant that what was good for Gunns increasingly was seen as good for Tasmania.

Within the forestry policy community the division between capital, government and labour blurred. Whether this was a symptom or a cause of Tasmania's interests becoming aligned to Gunns' is debatable. But this case serves as an example of the dangers of allowing any one large company to gain too much influence in a small community, where people may very well have grown up together, attended the same schools, and be closely or distantly related (by blood or marriage).

People in Tasmania often talk about that society as a 'great big web' where everyone knows each other, and degrees of separation shrink. This can have advantages. People are friendlier, the sense of community is strong, and it can be easy to get things done. But occasionally it can be too easy to

get some things done. Too little separation between government, unions and business, especially when an industry's success is considered tied to the state's success, is a recipe for both economic and political disaster. As one member of Tasmania's upper house, the Legislative Council, said at the time of the company's collapse, 'Gunns had become too big to fail'.

TASMANIA HAS A history of placing its eggs in one basket. In the nineteenth century, agriculture dominated the colonial economy. Throughout the mid-twentieth century, beginning in the 1930s under Labor premier Albert Ogilvie, Tasmania's dream of state-led development was to be realised through hydroelectric industrialisation. So powerful and influential was the Hydro-Electric Commission, the body charged with overseeing this heroic dream, it was often referred to as a 'state within a state'. Like Gunns, the Hydro's fortunes were coupled to the fortunes of Tasmania. That came to an end in the aftermath of the Franklin River campaign, after Bob Hawke's federal Labor government stepped in and stopped the construction of the proposed dam. In the proceeding decades forestry, an important industry in Tasmania since settlement, took over as the 'project to save us' – with Gunns at the forefront.

Not only does this 'one big project' mindset limit possibilities, it can cause bitter division. When so much hope is placed in one industry, or one company, any criticism becomes a highly contentious and political act, polarising the community. In politically charged situations people tend to dig in and their positions become entrenched. In a small, connected society such as Tasmania all this tends to be amplified. Tasmania's forest disputes are a case in point: no Tasmanian is considered 'independent' on this issue, and no comment or proposed solution is received as 'objective'.

But Tasmanians do not necessarily disagree deeply about forestry to the extent it's widely assumed. There will be disagreements, even some fundamental differences, about aspects of future management of this industry. But at the moment we're fighting caricatures of positions that don't necessarily exist, or if they do, exist on the more extreme fringes: one straw man (or woman) against another. People from both sides of the fence shouting out and hissing abuse at each other in public forums is just not good enough. Why don't we start talking to each other and see what we agree on? When will we

get better at listening?

Tasmanian-based former ABC journalist Judy Tierney, who for a number of years has been director of green-leaning ginger group Our Common Ground, agrees. 'We all have to think and act confidently and support new ideas that deliver social and commercial dividends,' she says. A key aim of Our Common Ground is, she says, to 'ameliorate the anger…and to get people to say "Okay, I understand, I might not agree with what you're saying…but thank god I now know why you're saying it!"'

The demise of Gunns could cause old tensions to flare up as ex-workers, contractors and farmers are left feeling done over, and people look to apportion blame. Gunns may be gone, but its ghosts remain. Hundreds of millions of dollars of Gunns' assets are up in the air, including the proposal for the pulp mill, the fate of which continues to be a source of tension, as does about 200,000 hectares of plantation forests. Proactive supporters of Gunns, notably Robin Gray and Paul Lennon, and much of Lennon's fiercely pro-pulp mill cabinet, including the current Forestry Minister and Labor deputy premier Bryan Green, are still in influential public positions. Many wonder if the ghosts of Gunns will continue to stalk Tasmanian politics and limit Tasmanians' imagination of future options.

Tasmanians often call for better top-down leadership on forestry issues. But Tasmanians themselves could take the lead: with Gunns gone, maybe there will be clear air in which a more civil conversation can grow.

It is fitting that in Tasmania, a state divided by decades of bitter disputes over the forests, the current political atmosphere has been described as 'like a very dry forest and a spark could set off all kinds of things'. The demise of Gunns may be such a spark – for good, as well as the ill of the obvious short-term pain many are now feeling.

References at www.griffithreview.com

Hailing from Tasmania, Will Bibby is currently based in Oxford, where he is completing a Master of Philosophy in Geography and the Environment at the University of Oxford. He completed a BSc (Hons) at University College Utrecht, The Netherlands. His research interests lie in the intersection between nature, society and politics and his masters thesis on which this essay is based looks at how place affects politics and uses the Tasmanian forestry disputes as a case study.